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## The Netherlands Indies at War

BY T. A. BISSON

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# The Netherlands Indies at War

BY T. A. BISSON

SINCE the outbreak of war in Europe the significance of the Netherlands Indies, both in relation to Far Eastern developments and the general course of the world conflict, has steadily increased.<sup>1</sup> The international role of this rich Dutch colonial territory, with a normal export trade approaching \$500,000,000,<sup>2</sup> is not inconsiderable in time of peace. In wartime the part played by the East Indian archipelago, as a large supplier of war materials and a strategic link in the defense of Southeast Asia, becomes even more vital.

In 1939-41, moreover, the Netherlands Indies has itself been much more directly affected by the world conflict than in 1914-18. Japan, during the first World War, was an associate of the Allied powers. Its activities caused no serious concern at Batavia or The Hague. Japanese naval strength, added to that of the Allies, brought assurance that no large-scale fighting would occur in the Pacific. In September 1939 a different situation prevailed. Japanese forces had occupied the Canton area and Hainan Island, while their latest thrust—on March 31, 1939—had carried them to the Spratly Islands, situated midway between the southern coast of Indo-China and the northern tip of Borneo. Japan's "southward drive" had passed from a nebulous program into an actual series of aggressive forward moves supported by diplomatic pressure and military force. Official warnings from Tokyo of a Japanese interest in the Netherlands Indies began to appear in the spring of 1940, before the German occupation of Holland.<sup>3</sup> On September 27, 1940, reversing its position in 1914-18, Japan openly joined the Axis powers in formal military alliance. An immediate result of this step was the establishment of a Japanese military foothold in northern Indo-China. In July 1941 Japan completed the occupation of Indo-China.

1. For brief discussions of the Netherlands Indies, dealing mainly with events prior to the war, see Rupert Emerson, "The Outlook in Southeast Asia," *Foreign Policy Reports*, November 15, 1939, pp. 208-11; and E. O. Hauser, "Anglo-Japanese Rivalry in Southeast Asia," *ibid.*, May 15, 1937, pp. 57-59.

2. "The Netherlands Indies," *The Index* (New York Trust Company), vol. XXI, no. 3, Autumn 1941, p. 67.

3. Cf. p. 204.

To the Dutch authorities at Batavia, even this growing threat in the north took second place to the events that were meanwhile occurring in Europe. Throughout the first World War the Netherlands had successfully maintained its neutrality. In May 1940, however, the German armies quickly overran Holland. For the first time since the Napoleonic era, the Netherlands Indies was effectively severed from the Dutch homeland in Europe. The firm stand adopted by the home government served to mitigate the effects which the German occupation of Holland might otherwise have had on the status of the Netherlands Indies. When hostilities broke out, the Netherlands authorities immediately transferred the government to London and continued to participate actively in the war which Germany had forced upon their country. The contrast in this regard between the position of the Netherlands Indies and that of French Indo-China, responsible to authorities at Vichy who were themselves subject to direct German pressure, largely explains the different attitudes of the two colonies to Japan's activities. The Dutch overseas empire, of which the East Indies constituted far the most important section, was mobilized both to support the struggle against Germany and to counter Japanese aggression. This policy facilitated cooperative arrangements with Britain, Australia and the United States, designed to fit the East Indies into the broad strategy of the war, and strengthened the security of the rich Netherlands empire.

Both in territory and population, the Netherlands Indies ranks as the greatest insular possession in the world; while in resources and wealth it probably constitutes, after India, the second most valuable colony. Its thousands of islands comprise a total land area of 733,681 square miles, or one-fourth that of continental United States and more than 50 times that of Holland. Stretching for some 3,200 miles along the equator between 6° N. and 11° S. latitude, the archipelago forms a natural land bridge joining Australia to the Malayan peninsula and, with them, screening off the Indian Ocean. Its aggregate population, which may have

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passed 70,000,000 in 1941,<sup>4</sup> is approximately equal to that of Japan proper. In 1931 two-thirds of this total was concentrated in Java and Madura (density 818 per square mile) and another one-sixth in Sumatra, leaving the last sixth scattered among the extensive areas of Celebes and the Moluccas, the parts of Borneo, Timor and New Guinea under Dutch rule, and the chain of islands running east from Java.<sup>5</sup>

The Netherlands Indies is one of the primary world suppliers of tropical products, as well as a substantial exporter of petroleum and tin. In round figures, its total exports of vegetable products were valued at \$250,000,000 in 1939, while exports of mineral products aggregated \$100,000,000.<sup>6</sup> In cinchona bark, from which quinine is derived, the East Indies possesses a virtual monopoly, accounting for 90 per cent of world production in 1939. During 1938 it supplied 33 per cent of world exports of rubber, 29 per cent of copra, 24 per cent of palm oil, 17 per cent of tin, 27 per cent of hard cordage fibre, 63 per cent of kapok, 85 per cent of pepper, and 17 per cent of tea. In addition, it exported substantial amounts of petroleum, tobacco, tapioca, coffee and cane sugar.<sup>7</sup> With growing demand and the consequent increase in permissible export quotas, especially on rubber, tin and quinine, the absolute amounts of these commodities supplied by the East Indies since 1938 have steadily increased.

The extensive resources of the Netherlands Indies, as well as the fact that it is the major oil-producing center of the Far East, have occasionally led to an exaggerated stress on its individual economic and strategic role. In the same way Tokyo's southward drive, owing to the pressing Japanese need for petroleum, has often been viewed merely as an effort to gain control of the East Indies. The full importance of the Indies lies in its interrelationships with the whole of Southeast Asia, of which it forms but one part—even if a most extensive and significant part. The stakes in this region also include Malaya, the Philippines, Indo-China, Thailand and Burma. From Southeast

4. The last census, showing 60,727,000 people, was taken in 1930. Estimated population in 1940 was 69.5 million, with an average annual increase reckoned at more than 800,000 in the 1930-37 period. See *Netherlands Overseas Territories* (London, Royal Institute of International Affairs, 1941), Information Department Papers, no. 28, pp. 14, 16. Another estimate indicates 70,476,000 in 1940. See *Statistical Abstract of the Netherlands Indies 1940*, English Pocket Edition (Batavia, Department of Economic Affairs, 1941), p. 6.

5. Overpopulation of Java has stimulated increasing efforts to resettle the sparsely occupied "Outer Territories" (including Sumatra), especially since the depression. See Ellen van Zyll de Jong, *Far Eastern Survey*, April 10, 1940, pp. 92-93.

6. *Statistical Abstract*, English Pocket Edition, cited, table 108, p. 77.

7. *Ibid.*, table 126, p. 87; also pp. 79-86.

Asia as a whole comes virtually the entire world supply of rubber and 75 per cent of its tin, as against the respective 33 per cent and 17 per cent of these commodities supplied by the Netherlands Indies alone. The interdependence of Southeast Asia territories is even more obvious in the sphere of defense. Singapore, the great British base at the southern tip of Malaya, is the strategic bastion of the whole region—on which the safety of the Netherlands Indies ultimately depends. The East Indian archipelago, lying between Singapore and Australasia, contributes both a defensive screen and a route of communication to the over-all defenses of Southeast Asia. These broader interconnections between the Netherlands Indies and the rest of Southeast Asia must be constantly kept in mind when the Netherlands Indies is being singled out for separate consideration.

#### ECONOMIC ADJUSTMENTS TO THE WAR

During the past decade the economy of the Netherlands Indies, like that of other countries, has passed through two emergency periods: the years of depression after 1929, and the wartime dislocations since the last quarter of 1939. In general, the depression years were characterized by a crisis of unusual severity and duration in the Indies, while the recent problems created by the European conflict have proved somewhat less serious. More than in other countries, the readjustments effected during the earlier period have provided a basis for meeting the emergencies of the war. Comprehensive measures of economic control introduced since 1933, as well as the current wartime demand for industrial raw materials, have enabled the Indies to withstand satisfactorily the loss of most of its former European markets.

The post-1929 depression struck the Netherlands Indies with especial force. Sharp reductions in the world demand for raw materials, rising tariff barriers, the relatively high prices for imports of manufactured goods, and the belated depreciation of the guilder (September 1936) combined to undermine the stability of the East Indies' economy.<sup>8</sup> The effects were felt severely by 1931, and persisted until 1936. To meet these unprecedented conditions, the Netherlands Indies' authorities subjected the economic system of the islands to a wide extension of government control. The traditional free trade policy of the Indies, adhered to for more than sixty years, was abandoned in 1933, when quota and license controls, affecting both exports

8. The severity of the crisis may be gauged by the catastrophic decline in exports, which registered 18 per cent of the 1925 value in 1932, and 18.5 per cent in 1933. Bartholomew Landheer, "Financial Policy of the Dutch East Indies," *Far Eastern Survey*, September 8, 1941, p. 195.

and imports, were instituted.<sup>9</sup> Further ordinances greatly extended regulation of industry as well as participation in international cartels, affecting principally sugar, tin and rubber, and instituted shipping and price controls.<sup>10</sup> In addition, the authorities sought to increase local self-sufficiency by encouraging the development of light industry and the growth of food crops. This program, carefully controlled by the government, featured those industries which could use local raw materials and in which hand labor was predominant.

Since the outbreak of war in 1939, economic mobilization of the Netherlands Indies, based in large part on the controls applied during the depression era, has been smoothly effected. Business and trade controls have been maintained and extended, exchange and shipping have been strictly regulated, prices have been more closely controlled, industrialization has continued, and food crops have been increased.<sup>11</sup> Generally favorable trade conditions and the relative availability of liquid capital, caused by inability to transfer interest and dividends to the home country, have facilitated the solution of budgetary and exchange problems.<sup>12</sup> Although taxes and tariffs have been increased, steeply rising defense expenditures have resulted in moderate budget deficits. In one respect, the success attending changes in economic policy since the depression must be qualified. Import controls and guilder depreciation contributed to the lowering of living standards in the Indies after 1933, while during the first year of the war there was a further rise of from 8 to 11 per cent in the cost of living index.<sup>13</sup>

The transition to a controlled economy in the Netherlands Indies was stimulated in the first instance by emergencies arising in the sphere of foreign trade. In this field the new policy has proved most effective, not only in exorcising the threat of a Japanese monopoly of imports, but also in expanding the volume of exports to other countries

9. This step was also motivated by the sudden jump in imports from Japan, which rose from 16.38 per cent of total imports in 1931 to 30.96 in 1933, while exports to Japan (only 4.87 per cent of total Indies' exports in 1933) had failed to increase. By 1933 Holland's share of total East Indian imports had fallen to 12.3 per cent; as against 18.3 in 1929. Hauser, "Anglo-Japanese Rivalry in Southeast Asia," cited, p. 57; Emerson, "The Outlook in Southeast Asia," cited, p. 210.

10. For details, see Alvin Barber, "Six Years of Economic Planning in Netherlands India," *Far Eastern Survey*, August 16, 1939, pp. 195-203. At this time there was also a serious issue with Tokyo over shipping and efforts to curb the expansion of Japanese retailing in the islands.

11. Ellen van Zyll de Jong, "Economic Mobilization in Netherlands India," *ibid.*, November 6, 1940, pp. 255-61.

12. Landheer, "Financial Policy of the Dutch East Indies," cited, pp. 195-200.

13. *Ibid.*, pp. 196, 199; Barber, "Six Years of Economic Planning in Netherlands India," cited, pp. 201-202.

through reciprocity agreements. Nevertheless, the islands' aggregate foreign trade (Table I) increased but slowly, remaining at depression level as late as 1936. Not until the expansion of world trade in 1937 did a substantial upward movement take place. Even then the trade totals, and especially the trade balance, were far below those of 1929 or the halcyon period of the mid-twenties. After a sharp recession in 1938, the movement again turned upward in 1939 and this improvement has continued during the war. While imports declined in the first four months of 1941, exports were well maintained and the excess of exports increased considerably.

Table I  
TRADE OF THE NETHERLANDS INDIES<sup>1</sup>  
(in millions of guilders)

Year	Exports	Imports	Total	Balance
1925	1,801.5	839.5	2,641.0	962.0
1929	1,446.4	1,108.2	2,554.6	338.2
1933	470.3	322.0	792.3	148.3
1935	447.4	276.5	723.9	170.9
1936	539.2	286.9	826.1	252.3
1937	953.0	498.3	1,451.3	454.7
1938	659.8	485.9	1,145.7	173.9
1939	748.3	478.2	1,226.5	270.1
1940	873.5	444.3	1,317.8	429.2
1940 <sup>2</sup>	313.2	186.4	499.6	126.8
1941 <sup>2</sup>	287.5	118.9	406.4	168.6

1. *Statistical Abstract of the Netherlands Indies* (Batavia, Department of Economic Affairs), 1939, pp. 335-36; 1937, p. 295; "The Netherlands Indies," *The Index*, cited, pp. 67-68.

2. January-April, inclusive.

The war in Europe has meanwhile caused marked shifts in both the direction and composition of East Indian trade. By 1941 the formerly large trade with European countries had virtually disappeared, except for trade with Great Britain (Table II). In 1938 Europe had taken nearly two-fifths of the total Indies' commerce; by 1941 the remaining trade—almost exclusively with Britain—amounted to barely one-twentieth of the total. Increased trade with the United States and Asiatic countries had more than made good this loss. As against one-eighth of total East Indian trade in 1938, the United States took one-third in 1940 and early 1941. A relatively smaller but still significant increase also occurred in trade with Malaya (Singapore and Penang), Japan and other Asiatic countries, notably China and Thailand. Part of the growing exports to Singapore was transshipped to other destinations, mainly Japan and the United States. By 1940, if the specifically Malayan shipments be allotted to the British Empire, the Netherlands Indies' trade was tending

Table II  
DIRECTION OF NETHERLANDS INDIES TRADE<sup>1</sup>  
(in millions of guilders)

	Exports				Imports			
	1938	1939	1940	1941 <sup>2</sup>	1938	1939	1940	1941 <sup>2</sup>
Total	659.8	748.3	873.5	287.5	485.9	478.2	444.3	118.9
Holland	134.1	109.1	48.1	0.6	106.2	99.3	62.1	0.1
Great Britain	35.1	34.2	55.2	12.7	38.2	33.3	36.0	9.5
Germany	23.8	14.0	1.8	..... <sup>3</sup>	49.1	41.2	8.9	..... <sup>3</sup>
France	11.2	11.0	2.6	..... <sup>3</sup>	9.4	9.2	4.2	..... <sup>3</sup>
Belgium	5.4	3.5	0.2	..... <sup>3</sup>	13.2	12.6	14.6	..... <sup>3</sup>
Italy	9.3	16.6	12.5	..... <sup>3</sup>	5.1	6.2	4.2	..... <sup>3</sup>
United States	89.3	146.9	290.9	114.6	60.2	63.7	102.8	45.4
British India	5.2	23.9	13.4	4.1	18.4	14.9	15.5	3.9
Singapore	109.2	125.0	181.6	70.6	36.2	33.8	13.6	2.7
Hongkong	13.3	13.4	18.1	6.5	6.5	6.7	4.2	1.3
Australasia	28.5	34.3	37.1	14.3	13.2	15.3	16.4	6.6
Japan	20.6	24.7	48.0	15.9	71.8	85.0	100.9	29.6

1. *Annual Report of the Imports and Exports of Netherlands Indies* (Batavia, Department of Economic Affairs), 1939, part III, table 5; for 1940 figures, *Economisch Weekblad* (Batavia), vol. 10, no. 28, p. 1431; for 1941 figures, "The Netherlands Indies," *The Index*, cited, pp. 67-68.

2. January-April, inclusive.

3. Negligible.

to divide into three fairly equal shares, taken by the British Empire, the United States, and Asia. Suspension of trade relations with Japan will considerably reduce the share taken by Asia. It will curtail the islands' imports more than its exports, however, and the net effect on the Indies' trade position will depend largely on whether the present rapid expansion of trade with the United States continues.

Equally drastic changes have occurred in the composition of East Indian trade. It was fortunate for the Netherlands Indies that, in time of war, it could fall back on the production of certain strategic raw materials. On the other hand, wartime conditions have also led to a sharp decline in the demand for many of its agricultural products that enter mainly into peacetime consumption. A long list of export staples, such as tea, coffee, copra, sugar, tobacco and pepper, lost their Continental outlets and suffered more or less serious declines. Agreements with Britain and some of the Dominions, principally affecting tea and sugar, have enabled the Netherlands Indies to dispose of but a small portion of these surpluses.<sup>14</sup> To prevent distress among growers of these so-called "weak products," the Indies government has found it necessary to purchase considerable quantities of copra and coffee, and store them for future export.

14. As wartime allies, the Netherlands Indies and Britain are closely cooperating in many fields. The guilder is pegged at 7.60 to the pound sterling, mutual arrangements on trade balances and credits have been made, Dutch shipping tonnage has been placed at Britain's disposal on a time-charter basis, and Dutch airlines have taken over certain British routes. Australia is helping to supply materials for the East Indies' defense program, and obtains its aviation gasoline from the islands.

While many agricultural staples have lost former outlets, the demand for the Indies' strategic materials has steadily increased (Table III). The

Table III  
EXPORTS OF INDIES' STRATEGIC COMMODITIES<sup>1</sup>  
(in metric tons)

	1938	1939	1940
Rubber	328,577	410,752	581,941
Cinchona	7,417	6,905	8,587
Crude tin	7,330	14,169	22,388
Tin ore	19,220	24,588	30,000
Petroleum	6,067,480	6,425,610	6,343,700
Coal	367,534	610,801	792,657
Bauxite	273,900	246,150	237,554
Manganese	11,213	6,818	9,900

1. From official statistics supplied by The Netherlands Information Bureau, New York, N. Y.

shipping shortage has tended to reduce exports of bauxite, petroleum and manganese—the latter mainly to the United States, and the two former to Japan. Since 1938 the major increases in East Indian exports have occurred in rubber and tin. With rising prices, the value of these exports increased even more, and their relative position was further improved by the decline in peacetime commodity exports. From 29 per cent of the annual value of total exports before September 1939, tin and rubber progressed to 50 per cent in the four months succeeding the occupation of Holland.<sup>15</sup> Two months after the war began, the East Indies suspended shipments of tin ore to Holland and

15. Bartholomew Landheer, "The Netherlands Indies and the Present War," *New Europe* (New York), July 1941, p. 193.

reopened its smelters in Banka. Since the end of 1939 its tin mines have operated at full capacity to meet the rising quotas prescribed by the International Tin Committee.

Under stimulus of the war emergency, the East Indies has been compelled to begin the development of several enterprises in the field of heavy industry. Government aid, during 1941, is being rendered for the building of an aluminum smelting plant (using domestic bauxite) and rolling mill, served with power by a new hydroelectric unit; steel products will be turned out by a new scrap iron smelting plant, using scrap iron formerly exported to Japan; and factories are to be established for the manufacture of sulphate of ammonia, natron lye, glass and paper. The spinning and weaving mills will be expanded, in line with former developments in the field of light industry which have included tobacco mills, paint and soap factories, beer breweries, cement and ceramics factories, and confectionery, flour, and edible fats factories.<sup>16</sup> War priorities in other countries and the shipping shortage have delayed the progress of these ambitious projects. Large orders for capital goods, originally placed in Germany, the Netherlands and Belgium, had to be cancelled, and it proved necessary to turn to the United States and Australia. American defense needs have limited the amounts of industrial machinery available for the Netherlands Indies, although unlimited export licenses have been granted for iron and steel products, brass, nickel, and certain tools.

#### TRADE WITH UNITED STATES

Attention has already been drawn to the rapid growth of Netherlands Indies' trade with the United States since 1938. As indicated in Table IV, this increase has occurred both in exports and imports, reflecting the American demand for strategic raw materials and the Indies' need for capital goods and munitions. By 1940 East Indian exports to the United States had risen by 142.2 per cent, while imports, at 95.3 per cent above the 1938 level, had nearly doubled in the two-year period. A further increase was recorded during the early months of 1941, with imports beginning to gain faster than exports. In 1940 the Netherlands Indies' active trade balance with the United States totaled \$113,900,000—a substantial addition to its foreign exchange resources.<sup>17</sup> During this year, moreover, the United States became the chief supplier of the islands' imports, besides maintaining the position gained in 1939 as the leading market for

16. For details, see "New Industries for Netherlands India," *Far Eastern Survey*, June 30, 1941, pp. 143-44; also *ibid.*, November 6, 1940, p. 259.

Indies' exports. The place held by the Netherlands Indies in United States trade was also becoming more important. In 1940 the East Indies accounted for 6.7 per cent of total United States imports and 1.3 per cent of total exports, as against 1.6 and 0.4 per cent respectively in 1921-25.<sup>18</sup>

Table IV  
NETHERLANDS INDIES' TRADE WITH U.S.<sup>1</sup>  
(in millions of dollars)

	1925	1938	1939	1940	1941 <sup>2</sup>
<i>Exports</i>					
Total	716.8	361.8	395.5	463.0	206.9
To U.S.	117.2	68.8	93.2	167.6	79.6
<i>Imports</i>					
Total	328.7	263.1	250.4	235.5	123.4
From U.S.	19.2	27.5	35.3	53.7	39.4

1. Adapted from "Trade of the United States with the Netherlands Indies in 1940," *International Reference Service* (U.S. Department of Commerce), June 1941, p. 2; *Monthly Summary of the Foreign Commerce of the United States* (Washington, D. C., Department of Commerce), May 1941, p. 5. Figures in Tables IV-VI cover exports of U.S. merchandise, imports for consumption.

2. January-May, inclusive.

For the United States, the primary significance of the greatly increased imports from the Netherlands Indies lies in their direct relation to defense requirements. The accumulation of stockpiles of strategic materials, even more than the demands created by the general expansion of American industrial activity, was mainly responsible for the rapid growth of imports from the Netherlands Indies. Rubber and tin alone, as shown in Table V, were valued at \$125,100,000, or more than five-sevenths of aggregate purchases from the islands in 1940. Total imports of rubber by the United States in 1940 amounted to 1,824,723,000 pounds, of which the East Indies supplied 644,277,000 pounds, or approximately 35 per cent. Direct imports of tin from the islands in 1940 totaled 27,160,000 pounds—roughly 10 per cent of United States imports of this strategic mineral. In addition, however, another 10 per cent of United States requirements in tin came from East Indian ores smelted in the Straits Settlements, thus raising the islands' share to 20 per cent.<sup>19</sup>

17. The balance of East Indian trade with the British Empire is also active, further bolstering the financial position of the islands. Up to the present the Netherlands Indies has had cash resources to cover far more American munitions than it has been able to obtain, and has thus not needed to resort to lease-lend aid.

18. "Trade of the United States with the Netherlands Indies in 1940," cited, p. 2.

19. *Ibid.*, p. 1. These figures again serve to illustrate a qualification regarding the Netherlands Indies' economic position that has already been made. Although the islands supplied a third of United States rubber imports and a fifth of its tin imports in 1940, British Malaya provided even larger amounts of these strategic materials.

Table V  
PRINCIPAL U.S. IMPORTS FROM NETHERLANDS INDIES<sup>1</sup>

	Quantity (in million lbs.)				Value (in million dollars)			
	1925	1938	1939	1940	1925	1938	1939	1940
<b>Total</b>	.....	.....	.....	.....	117.2	68.8	93.2	167.6
Rubber	153.2	246.1	320.4	644.3	65.6	35.7	52.1	112.2
Tin	9.8	6.9	11.9	27.1	5.6	2.7	5.4	12.9
Cinchona	2.8	1.3	2.0	5.2	0.9	0.6	0.9	2.3
Quinine salts <sup>2</sup>	1.9	1.2	2.0	2.0	0.9	0.6	1.1	1.1
Sisal <sup>3</sup>	13.6	24.6	37.2	51.6	2.9	2.4	2.9	4.5
Paraffin	10.8	27.7	38.3	72.3	0.7	0.8	1.0	3.1
Copal gum	..... <sup>4</sup>	8.2	14.9	17.7	..... <sup>4</sup>	0.4	0.7	1.1
Tea	7.6	20.6	28.3	31.0	2.5	4.4	5.7	5.8
Tapioca	115.6	224.1	354.5	314.5	4.0	3.7	4.9	5.9
Pepper	26.3	54.0	73.7	20.1	2.9	2.7	3.1	0.8
Palm oil	2.9	228.0	237.0	180.0	0.3	7.9	5.2	3.7
Tobacco	6.3	1.5	2.0	2.1	14.8	2.9	3.1	3.0
Kapok <sup>3</sup>	8.6	5.4	8.2	7.1	4.5	1.5	2.1	1.5

1. Condensed from "Trade of the United States with the Netherlands Indies in 1940," cited, p. 2; for 1925 figures, Ellen van Zyll de Jong, "The American Stake in Netherlands India," *Far Eastern Survey*, June 19, 1940, p. 149; also *Foreign Commerce and Navigation of the United States* (Washington, D.C., Department of Commerce), 1925, pp. 245, 260; 1938, pp. 93, 235; 1939, p. 241.

2. In million ounces.

3. In thousand tons.

4. Not specified.

In the case of one commodity of critical importance in wartime—quinine—the United States' dependence on the Netherlands Indies is virtually complete. Quinine is included in the Army and Navy Munitions Board's list of seventeen strategic materials, defined as those "essential to national defense, for the supply of which in war dependence must be placed, in whole or in part, on sources outside the continental limits of the United States."<sup>20</sup> The prevalence of malaria in southern sections of the United States, where it is spreading into new areas despite preventive efforts, makes a supply of quinine even more essential to the American defense program.<sup>21</sup> Although the use of synthetic substitutes for quinine, especially atebrin, is increasing, main reliance is still placed on the natural product derived from cinchona bark, as indicated by the current attempt to build up a stockpile of this product. In 1940, out of total United States imports of cinchona bark amounting to 5,500,000 pounds, the Netherlands Indies supplied 5,210,000 pounds. This figure was three times the average imports of cinchona bark in 1934-38.<sup>22</sup> United States imports of cinchona bark from the East Indies were valued at \$2,271,000 in 1940, while

purchases of quinine sulphate and other salts came to \$1,096,000, making a total of \$3,367,000.

Less importance attaches to the increased imports of East Indian hard fibers (sisal and henequen), copal gum, and paraffin and paraffin wax, either because substitutes are available or because the bulk of United States imports is obtained elsewhere. Paraffin is especially useful because of its high melting point, while copal gum, used in the manufacture of varnish, is chiefly supplied by the Netherlands Indies. Imports of four of the remaining six commodities listed in Table V, all of which are East Indian agricultural staples of limited strategic value, have tended to decline.

The predominance of capital goods in United States exports to the Netherlands Indies, illustrated in the first seven categories of Table VI, is a striking development of the recent period. Iron and steel products, machinery, and chemicals constituted almost half of total exports in 1940, as against one-fifth in 1925. Except for industrial machinery and chemical specialties, large and regular increases have been registered in each of the seven categories since 1938. The exceptions, moreover, are largely attributable to inability of the East Indies to purchase required commodities owing to American defense priorities.

In regard to finished munitions, the trade figures (Table VI) illustrate in more acute degree the inability of the United States to satisfy the demands of the East Indian defense program. Exports of firearms and ammunition have increased considerably, and the larger sales of automobiles, more

20. Robinson Newcomb, "The United States and Southeast Asia's Strategic Products," *Far Eastern Survey*, April 12, 1939, p. 87. Rubber and tin are also on this list.

21. *Ibid.*, p. 88; for substitutes, see p. 89.

22. During this five-year period, the United States had imported an average of 1,710,000 pounds of cinchona bark, 1,400,000 ounces of quinine sulphate, and 2,120,000 ounces of other cinchona bark derivatives—virtually all from the Netherlands Indies. *Ibid.*, pp. 88-89.

Table VI  
PRINCIPAL U.S. EXPORTS TO THE NETHERLANDS INDIES<sup>1</sup>  
(in thousands of dollars)

	1925	1938	1939	1940
Total	19,180	27,483	35,348	53,683
Steel manufactures	1,830	648	2,005	6,350
Iron and steel semi-manufactures	646	830	2,270	6,352
Iron and steel advanced manufactures	520	386	604	1,024
Industrial machinery	468	4,842	6,528	3,508
Electrical machinery	359	723	1,151	1,522
Industrial chemicals	130	601	1,191	2,124
Chemical specialties	19	525	502	474
Automobiles and parts	2,211	2,135	2,263	3,694
Petroleum and products	2,388	1,474	2,351	1,933
Paper and manufactures	62	459	928	2,503
Aircraft and parts	12	8,495	6,249	6,129
of which landplanes	12	6,284	4,624	3,587
Firearms and ammunition	6	329	482	2,057

1. Sources as cited for Table V.

than half of which consist of trucks, suggest that the Indies' armed forces are being motorized. On the other hand, total exports of United States aircraft to the islands had declined in value since 1938, with the number of landplanes exported, consisting mostly of trainers, totaling 69 in 1938, 64 in 1939, and 98 in 1940.<sup>23</sup> A large backlog of munitions orders for the Netherlands Indies has accumulated. Actual exports of American finished munitions to the East Indies, totaling \$5,089,254 during the first four months of 1941, show a heavy increase over 1940. For the same four months, however, the value of aggregate licenses for munitions granted the East Indies amounted to \$68,393,249.<sup>24</sup> These figures indicate that finished munitions have assumed the leading position in United States exports to the Indies in 1941, and that the total amount will steadily increase as American arms production reaches its full stride.

#### RELATIONS WITH JAPAN

Netherlands Indies' relations with Japan during the past decade have been marked by two periods of crisis, developing in the first instance from the exigencies of the depression era and, in the second, from the increasing Japanese pressure on the Indies which followed the Nazi occupation of

23. "Trade of the United States with the Netherlands Indies in 1940," cited, p. 4. Three seaplanes, valued at \$285,151, were also sold to the Indies in 1940. See "United States Exports of Aeronautical Products," (Washington, D. C., Department of Commerce), Statement No. 2705, Advance Official Data For Year—1940, p. 1.

24. *Department of State Bulletin*, May 31, 1941, pp. 670-73. The breakdown is as follows: aircraft and parts, actual exports \$3,029,133, licenses \$46,009,302; tanks or armored vehicles, actual exports \$75,273, licenses \$11,384,000; arms and ammunition, actual exports \$1,847,255, licenses \$10,248,435; explosives, actual exports \$31,573, licenses \$751,513; war vessels, including armor plate, actual exports \$106,020, with no licensed amounts.

Holland. In both cases, the specific issues under direct consideration were largely economic in character, although the political overtones of Japan's "Greater East Asia" program have recently become much more pronounced.

During the spring of 1940, immediately before and after the invasion of Holland, several declarations of policy by Japanese officials emphasized Tokyo's political interest in the Netherlands Indies. A preliminary trial balloon on April 15 by Hachiro Arita, Japanese Foreign Minister, which expressed Japan's concern over "any development" in the European war "that might affect the *status quo* of the Netherlands East Indies," brought a statement from Secretary Hull warning that the United States would regard "any alteration" of the *status quo* of the Indies "by other than peaceful processes" as "prejudicial to the cause of stability, peace, and security not only in the region of the Netherlands Indies, but in the entire Pacific area."<sup>25</sup> Diplomatic exchanges on this subject between Tokyo and the interested foreign governments, including Germany, also occurred at the end of May, following the occupation of Holland. Further official statements from Tokyo in June specifically included the Netherlands Indies within the Japanese sphere of interest.<sup>26</sup>

The Dutch authorities, both at Batavia and The Hague, stiffly refused to admit the legitimacy of Japan's political pretension as regards the East

25. *The New York Times*, April 18, 1940.

26. For an excellent summary of this diplomatic sparring in the spring of 1940, see *Netherlands Overseas Territories*, Information Department Papers, No. 28, cited, pp. 4-6. See also text of address to the Diet by Yosuke Matsuoka, Japanese Foreign Minister, on January 21, 1941 in *Contemporary Japan* (Tokyo, The Foreign Affairs Association of Japan), February 1941, pp. 266-71.

Indies. In the summer of 1940, Batavia declined to accept General Kuniaki Koiso as head of a projected Japanese mission to the Netherlands Indies, apparently because of objectionable public statements on his part.<sup>27</sup> An economic mission, headed by Mr. Kobayashi, then Minister of Commerce in the Tokyo Cabinet, reached the Nether-

lands Indies in September 1940. In the course of the negotiations which followed, the Dutch authorities at Batavia exacted assurances from the Japanese delegation that the term "Greater East Asia," mentioned in the Japan-Axis pact of September 27, 1940 as a region under Japan's leadership, did not include the Netherlands Indies.<sup>28</sup>

Table VII  
PRINCIPAL ITEMS IN INDIES' TRADE WITH JAPAN<sup>1</sup>

<i>Exports to Japan</i>	<i>(in metric tons)</i>			<i>(in millions of guilder)</i>		
	1938	1939	1940	1938	1939	1940
<b>Total</b>	.....	.....	.....	20.6	24.7	48.0
Rubber	9,679	21,652	28,652	4.3	10.9	16.7
Petroleum	364,749	356,114	555,332	6.6	4.5	9.1
Tin	745	1,120	4,838	1.2	2.2	9.1
Other metals <sup>2</sup>	61,239	49,739	68,616	1.5	1.0	1.8
Bauxite	120,078	196,948	218,103	1.0	1.6	1.8
Cinchona	489	474	549	0.9	0.8	1.5
Maize	61,519	66,963	74,226	1.9	2.1	2.3
Rice	..... <sup>3</sup>	..... <sup>3</sup>	36,001	..... <sup>3</sup>	..... <sup>3</sup>	2.6
<i>Imports from Japan</i>						
<b>Total</b>	.....	.....	.....	71.8	85.0	100.9
Textiles	45,899	64,000	65,279	47.8	60.1	66.8
Metals and products	23,765	41,874	37,355	5.0	7.6	9.4
Chemical products	12,779	12,708	13,889	2.0	2.5	3.2
Machinery	5,820	3,876	6,414	2.2	1.8	3.1
Ceramic wares	16,601	16,050	11,369	1.9	1.8	1.6
Glass and glassware	19,796	10,731	8,777	2.1	1.5	1.6
Paper and products	4,683	5,426	9,298	1.4	1.4	2.9
Cement	92,814	83,687	47,076	1.2	1.1	0.9

1. From official statistics supplied by The Netherlands Information Bureau, New York, N. Y.

2. Principally scrap iron.

3. Negligible.

The official negotiations on economic affairs made little progress, and in December 1940 Mr. Kobayashi finally returned to Japan without having reached an agreement with the Dutch delegation. Meanwhile, beginning September 5, 1940, the private oil interests, Dutch, British and American, had undertaken independent negotiations with Japanese petroleum interests which proved more successful.<sup>29</sup> On November 12 Japan's requests for a larger percentage of the Indies' oil exports were partially conceded by an agreement which raised the Japanese import quota from 494,000 metric tons a year to 1,800,000 tons.<sup>30</sup> Prior contracts with Britain and the Indies' own needs, however, were cited as factors which prevented high-octane aviation gasoline from being included in this increased

quota. General economic negotiations were renewed early in 1941, when Mr. Yoshizawa, a former Japanese Foreign Minister, was appointed head of the Japanese delegation. As negotiations proceeded the Japanese demands became more sweeping until they included "permission to explore the Outer Islands, concessions, exploitation of undeveloped areas, permits of entry for professional men and small traders, the establishment of an air line from Japan, and mining and fishing rights."<sup>31</sup> A crisis was reached in June 1941, but when the Dutch officials rejected a virtual Japanese ultimatum, Mr. Yoshizawa left the islands and Tokyo permitted the negotiations to lapse. In July 1941 the freezing of Japanese assets in the Netherlands Indies brought trade to a halt.

27. He was quoted as saying: "The East Indies as a colony have long been oppressed and exploited. It is necessary to emancipate the Oriental races and we are destined to solve the problem." *The New York Times*, August 3, 1940.

28. *Netherlands Overseas Territories*, cited, p. 7. A statement by Dr. H. J. van Mook, head of the Indies' delegation, emphatically rejected inclusion of the East Indies in an Asiatic bloc.

29. *Ibid.*, p. 8.

30. *Department of State Bulletin*, November 16, 1940, p. 432. The agreement, concluded between the Mitsui concern and the Royal Dutch (Anglo-Dutch) and Standard-Vacuum (American) interests, ran for six months, and was renewed in May 1941.

31. *Netherlands Overseas Territories*, cited, p. 8.

In recent years, as indicated in Table VII, rubber, petroleum and tin have accounted for approximately two-thirds of the Indies' exports to Japan. In 1939-40 exports of rubber were twice the value of petroleum exports. The figures shown in this table, however, cover merely the direct exports of oil to Japan. Large additional amounts, aggregating possibly twice the total of direct exports, have been transshipped to Japan through the islands of Poeloe Bintan Riouw, Poeloe Samboe, and other storage points.<sup>32</sup> On the import side, Japanese textiles, principally yarns and cotton piece goods, comprise roughly two-thirds of the total. Since the war, the Netherlands Indies has been increasingly deprived of textiles formerly supplied by Holland and Britain—a fact mainly responsible for the considerable rise in imports from Japan since 1938.<sup>33</sup>

#### DEFENSE OF THE INDIES

On questions of defense, even more than in the economic sphere, it is necessary to view Southeast Asia as a single unit. The Singapore base is vital to the security of the whole region, but even this great British fortress cannot stand alone. Against a Japanese thrust southward, British Malaya, the Netherlands Indies and the Philippines form an interdependent strategic front, behind which lie Australasia and India as the closest areas of support.

The practical necessities of this situation have already brought about a large degree of coordination in defense measures for Southeast Asia. From British and American factories, straining to meet the demands of the European and Near Eastern battlefronts, an increasing stream of war supplies has been diverted to Singapore, Batavia and Manila. A common diplomatic policy, underlined by the united American, British and Dutch freezing of Japanese assets in response to Japan's military occupation of southern Indo-China in July 1941, is being followed. The extent to which preparations have been made for joint military action in case of need is unknown, but some clear indications have been given.

Britain and Holland are already military allies in the struggle against Germany. On September 19, 1941 Alfred Duff Cooper, British Coordinator for the Far East, while at Batavia on a visit to the Dutch Governor General, declared that Britain

32. The new quota of 1,800,000 tons did not greatly exceed total oil shipments to Japan (direct and indirect) prior to November 1940. Up to July 1941, when trade ceased, tanker shortage had prevented Japan from importing the full quota allotment.

33. Loss of these imports, following suspension of trade relations with Japan, will be keenly felt in the Indies, especially since the cheap Japanese textiles are adapted to the low living standards of the islands' population.

would "not allow the Netherlands Indies to be attacked without giving every assistance." He went on to say that Dutch troops might be dispatched to Malaya or British troops sent to the East Indies, "depending on the danger point."<sup>34</sup> In the first week of April 1941 Air Marshal Sir Robert Brooke-Popham, commander-in-chief of Britain's Far Eastern defenses, had conferred in Manila with leading American military officials of the Philippines; in October 1941 he again flew to the Philippines for conferences with the ranking American commanders.<sup>35</sup> Far Eastern problems were undoubtedly canvassed at the Churchill-Roosevelt conference in August 1941, and it is probable that a common strategy was devised to meet the possibility of a Japanese drive into Southeast Asia.

Up to the present, Japan has carefully gauged its southward moves, stopping short of the point at which a general conflict with British, Dutch and American forces might be precipitated. To most observers, however, it seems likely that the occupation of southern Indo-China marked the limit of such piecemeal advances. If another favorable opportunity arises, Tokyo might be constrained to launch an all-out attack in the south. A limited Japanese move against Thailand might in any case develop quickly into a general conflict. Careful estimates indicate that, despite the existing trade embargoes, Japan possesses stocks of war materials adequate to maintain a southern *blitzkrieg* for as long as six months.<sup>36</sup> Tokyo would also hold the advantage of the initiative, since it could choose the time and place of attack. A drive might be launched from Japan's mandated islands far to the east, for example, along the route of the new Japanese commercial airline from the Palau Islands to Dilli, capital of the Portuguese half of the island of Timor.<sup>37</sup>

In any such operation, Japan would nevertheless confront formidable obstacles. The full benefits of a surprise action, except possibly in the case of a drive into Thailand, would be limited by at least two factors: the size of the naval and military concentrations required, and the relatively long distances that would have to be covered through hos-

34. *The New York Times*, September 20, 1941.

35. *Ibid.*, October 5, 1941. See also statement at Manila on October 10 by Henry F. Grady, President Roosevelt's special economic representative in the Far East, regarding establishment of "a vast economic pool" between the United States and Southeast Asia, to which access by Japan and the Axis was barred except "through military force." *Ibid.*, October 11, 1941.

36. "Japan's War Supplies," *The Economist* (London), September 6, 1941, p. 292.

37. Conclusion of the Japanese-Portuguese agreement establishing the airline was announced in Tokyo on October 14, 1941. *The New York Times*, *New York Herald Tribune*, October 15, 1941; for Australian reaction, see *The New York Times*, October 16, 1941.

tile seas. A sudden Japanese attack directed against either Singapore or the East Indies, moreover, would have to provide for large-scale engagements in the rear that would develop at Hongkong and, most likely, in the Philippines. Unless the American fleet entered Far Eastern waters, Japan would be able to concentrate a superior naval force at any given point. Naval superiority alone might not prove decisive. Effective support of landing operations would require air superiority as well, and it is not at all certain that Japan's air arm, either in size or technical capacity, would be strong enough to match the forces it would meet. Recent studies tend to show that, as newer types of British and American warplanes have been concentrated in Malaya, the East Indies and the Philippines, the balance of power in Southeast Asia has shifted against Japan.<sup>38</sup> Modern long-range seaplanes, probably superior in numbers to those which Japan could muster for an expeditionary force, can effectively patrol the South China Sea and concentrate rapidly at threatened points. Even a strong naval squadron which had to guard troop and supply transports would be vulnerable to air attack.

The Netherlands Indies occupies an exceedingly strategic position in this potential theatre of conflict. Its oil wells, and those of British North Borneo, represent one of the primary Japanese economic objectives in Southeast Asia. A successful Japanese occupation of major centers in the archipelago would also threaten Singapore's supply lines and open the Philippines to a relatively easy invasion from the south.<sup>39</sup> East Indian defense forces, however, are now able to make a substantial contribution to the concerted effort which would be required to defeat such an attempt.

The emphasis on defense preparations in the Indies during recent years is best indicated by the increased budgetary appropriations for armaments. As against 59 million guilders in 1936, defense expenditures for 1941 have reached the record sum of 530.4 million.<sup>40</sup> Owing to this nine-fold increase in six years, nearly two-thirds of the 1941 budget expenditure of 800 million guilders was allotted to defense purposes.

#### The East Indian naval force, according to a re-

38. Kurt Bloch, "Air Power versus Sea Power in the South China Sea," *Far Eastern Survey*, June 16, 1941, pp. 124-30; Alexander Kiralfy, "Japan's Strategic Problem," *ibid.*, February 12, 1941, p. 18.

39. Kiralfy, "Japan's Strategic Problem," cited, p. 19.

40. *Netherlands News* (New York, Netherlands Information Bureau), vol. 1, no. 6, p. 236. The Volksraad (People's Council) has voted additions of 309 million guilders to the original 1941 estimates. The corresponding figures were 159 million in 1939 and 294 million in 1940. Landheer, "Financial Policy of the Dutch East Indies," cited, p. 197.

cent estimate, consists of 4 cruisers, 12 destroyers, and more than 50 torpedo boats.<sup>41</sup> Figures usually given also include 18 submarines. The main naval and air base at Surabaya has drydocks which can accommodate large cruisers, while berthing facilities for capital ships are under construction.<sup>42</sup> More than 10,000 workmen are employed in the shops and foundries of the base, which can meet virtually all demands for repair and replacement of naval and airplane parts.<sup>43</sup> Shipyards at Surabaya and elsewhere are turning out increasing numbers of torpedo boats, as well as trawlers and coast defense craft of various types. Submarine bases and naval anchorages are being constantly increased. A secondary naval base is located at Amboina, a strategic point in the eastern islands.

In the summer of 1941, the East Indies air fleet totaled about 200 first-line bombers, with as many combat planes.<sup>44</sup> The core of the air force is formed by Glenn Martin bombers and Curtiss Falcons and Hawks, while additional Brewster fighters are beginning to arrive.<sup>45</sup> With the assistance of Ryan training planes and a corps of American pilots, stationed at the Surabaya base, a rapid expansion of Dutch flying personnel is taking place.<sup>46</sup> The first two of a series of American-made Catalina flying boats, of the type that discovered the *Bismarck*, arrived in the East Indies early in September.<sup>47</sup> Large numbers of American planes, as already noted, have been licensed for shipment to the East Indies, and assistance in this field is also being rendered by Australia. Eventually the islands expect to build up a total force of 2,000 bombers and pursuit ships. Comprehensive patrolling of the approaches to East Indian waters has been instituted. Emergency landing fields are found throughout the islands, and seaplanes may be refueled and serviced at some 50 different places. Completion of several high-octane gasoline plants has assured an adequate supply of aviation fuel.

A corresponding enlargement of the East Indian army has occurred since 1937, when it numbered some 80,000 men—the latest official figure to be published.<sup>48</sup> Today it probably totals more than 120,000, approximately four-fifths of which is In-

41. A. T. Steele, *New York Post*, July 28, 1941.

42. *Ibid.*, see also A. Randle Elliott, "U.S. Defense Outposts in the Pacific," *Foreign Policy Reports*, March 15, 1941, p. 11.

43. Steele, *New York Post*, cited.

44. *Ibid.*

45. *Netherlands News*, vol. 1, no. 2, p. 68.

46. Australian training planes have also been used.

47. *Netherlands News*, vol. 1, no. 6, p. 238.

48. The islands' largest arsenal at Bandoeng, where the military headquarters is located, has greatly expanded production of small arms, shells, and bombs. Construction of another arsenal is planned.

donesian.<sup>49</sup> Compulsory military service for all Hollanders in the Indies between 18 and 32 years of age has existed since the last war; in the present emergency, the age limit has been raised to 46 years. In 1941 compulsory service was extended to the Indonesians, thus meeting a long-expressed nationalist demand.<sup>50</sup> A small minority of extreme nationalists opposed conscription on the ground that further political rights should first be extended to Indonesians. No organized Indonesian group is pro-Japanese, however, and the whole population would undoubtedly support a vigorous defense of the Indies in case of a Japanese attack.<sup>51</sup>

#### CONCLUSION

On the economic front, so long as present conditions continue to prevail, the Netherlands Indies has little to fear. Certain of its agricultural staples will probably remain in a semi-depressed state, requiring government aid, and there may be fairly acute shortages in textile goods, especially of the cheaper varieties. On the other hand, the East Indies lives by trade, and the wartime boom in its currently "strong products"—rubber, tin, cinchona and petroleum—helps to solve many difficulties.

49. There are few Indonesians in the air force, although the number of Indonesian pilots in training has steadily increased. The normal ratio of 19 per cent Indonesians in the naval personnel may have somewhat increased. Steele, *New York Post*, cited; also Ellen van Zyll de Jong, "Netherlands India Prepares For War," *Far Eastern Survey*, July 31, 1940, p. 190.

50. More than half of the 1941 contingent was expected to consist of volunteers. *Netherlands News*, vol. 1, no. 4, p. 155.

51. Amry Vandebosch, "The Fate of the East Indies," *America*, July 1940, p. 235.

The foreign exchange accruing from the sale of these strategic commodities enables the islands to maintain a sound fiscal situation even while covering the urgent demand for armaments and capital goods. There is but one cloud on the horizon. A sudden reduction in the present scale of United States imports of rubber and tin would speedily create real difficulty, unless the normal markets for East Indian non-strategic commodities were restored at the same time. It seems unlikely that this threat will materialize in the near future, although some concern has been expressed as to whether the 1940-41 volume of United States purchases will be maintained.<sup>52</sup>

Of late, moreover, the outlook for the islands' security has also improved. The relative neglect of East Indies' defenses, evident in the pre-1939 period, has been partially made good by the strenuous efforts of recent years. At the present time, the defense preparations of the Netherlands Indies are hampered not so much by lack of will or funds as by the shortage of shipping space and the equally urgent demands of other countries for the available munitions. While the East Indian forces are as yet unable to stand alone against a Japanese attack, they have attained the strength required to assume their proportionate share in a concerted defense of Southeast Asia. Here, as on other fronts of the world conflict, the successes or failures registered on production lines in the United States during the coming months may well prove the decisive factor in the ultimate outcome.

52. Landheer, "Financial Policy of the Dutch East Indies," cited, p. 198.

### *The November 15 issue of FOREIGN POLICY REPORTS will be CANADIAN-AMERICAN DEFENSE PLANNING*

by William P. Maddox

**Statement of the Ownership, Management, Circulation, Etc., Required by the Acts of Congress of August 24, 1912, and March 3, 1933, of**

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